

**REPORT OF THE AUDIT OF THE
GREENUP COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE (502) 573-0050
FACSIMILE (502) 573-0067**

EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE GREENUP COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Greenup County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Greenup County, Kentucky. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Greenup County's major federal program, Disaster and Emergency Assistance Grants, for the year ended June 30, 2004.

Financial Condition:

The Fiscal Court had net assets of \$9,989,371 as of June 30, 2004. The fiscal court had net assets of \$9,962,176 in its governmental activities as of June 30, 2004. In its enterprise fund, total net cash and cash equivalents were \$27,195 with \$27,195 in total assets. The fiscal court had total debt as of June 30, 2004 of \$5,411,296 with \$2,632,383 due within the next year.

Report Comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
GREENUP COUNTY OFFICIALS	3
MANAGEMENT’S DISCUSSION AND ANALYSIS	5
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS.....	13
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	16
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	24
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS	29
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	33
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS	37
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS.....	41
NOTES TO FINANCIAL STATEMENTS.....	44
BUDGETARY COMPARISON SCHEDULES	58
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	63
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS.....	66
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS	70
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	75
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	79
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	80
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	83
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	87
APPENDIX A: CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM	

THIS PAGE LEFT BLANK INTENTIONALLY



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Greenup County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Greenup County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Greenup County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 2, 2005, on our consideration of Greenup County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comment:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 2, 2005

GREENUP COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Robert W. Carpenter	County Judge/Executive
Nelson Allen	Commissioner
Mike Hieneman	Commissioner
Tony Quillen	Commissioner

Other Elected Officials:

Mike Wilson	County Attorney
Jimmy Womack	Jailer
Donald L. Davidson	County Clerk
Allen Reed	Circuit Court Clerk
Keith Cooper	Sheriff
Bill Clary	Property Valuation Administrator
Leslie Neal Wright	Coroner

Appointed Personnel:

Carol Vinson	County Treasurer
--------------	------------------

THIS PAGE LEFT BLANK INTENTIONALLY



Robert W. Carpenter, *Greenup County Judge Executive*

301 Main Street • Room 102 • Courthouse • Greenup, Kentucky 41144
(606) 473-6440 • (606) 473-6864 • FAX (606) 473-9878

Management's Discussion and Analysis **June 30, 2004**

The financial management of Greenup County Fiscal Court offers the readers of the County of Greenup's financial statements this narrative overview and analysis (MD&A) for the financial activities of the County of Greenup for the fiscal year ended June 30, 2004. The information presented here should be considered in conjunction with additional information provided in the financial statements and notes to the financial statements.

Financial Highlights

- The assets of the County exceeded its liabilities at June 30, 2004 by \$9,989,371 (net assets).
- Because of the change in accounting practices it is difficult to calculate the increase in net assets over last fiscal year.
- As of June 30, 2004, the County's governmental funds reported combined ending fund balance of \$109,439, a decrease of \$1,220,047 from the prior year.
- The County's total debt increased \$2,397,630 due primarily to the cost of countywide cleanup following the ice storm, which occurred in February 2004 and incurred debt because of the delay in reaching a satisfactory financial agreement with the municipalities for E911 dispatching services.
- The County received a *Litter Abatement Grant* in the amount of \$43,962 and acted as a pass-thru agent for several small Local Government Economic Development grants in a total amount of \$79,500. They also administrated Community Development Grants from the State in the amount of \$141,651.
- A total of \$1,366,176 was received from the Federal Emergency Management Agency (FEMA) as reimbursement on four separate disasters, the oldest of which was the March 2000 flood.
- The deficit shown in the major funds, General and Road, does not mean that the County has insufficient resources to pay bills, however, it does show that the \$2,304,700 debt incurred by the ice storm cleanup has not been reimbursed by the FEMA in a timely fashion. Paper work for a 5-year loan to handle that debt was delayed and therefore the entire balance was applied to this fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management discussion and analysis serves as an introduction to Greenup County's basic financial statements, which are the government-wide financial statements, fund financial statements, and notes to the financial statements. Also included in this report is required supplementary information.

GASB 34 requires management to include certain comparison schedules when they are available. These schedules include prior and current comparisons of general revenues by major source, and program expenses by function. This is the first year of implementation and these schedules will be presented next year.

Government-wide financial statements. The *government-wide financial statements* report information concerning the overall finances of Greenup County similar to a private sector business enterprise.

Greenup County
Management's Discussion and Analysis
June 30, 2004
(Continued)

The *Statement of Net Assets* presents information on Greenup County's assets less liabilities which results in net assets. The statement is designed to display the financial position of the County. Over time, increases or decreases in net assets help determine whether the County's financial position is improving or deteriorating.

The *Statement of Activities* provides information which shows how the County's net assets changed as a result of the year's activities. The statement uses the modified cash basis of accounting by which all revenues and expenses are reported at the time of actual transaction with modifications made to reflect outstanding purchase orders and recording depreciation expenses on capital assets in the government-wide financial statements.

The Statement of Net Assets and the Statement of Activities distinguish functions of the County that are financed primarily by taxes, intergovernmental revenues, and charges for services (governmental activities) from functions where user fees and charges to customers help to cover all or most of the cost of services (business-type activities). The County's governmental activities include general government, public safety, public works, health and welfare, community development, and economic development. The business type activities are limited to the Jail Canteen.

Not only do the government-wide financial statements include Greenup County Fiscal Court itself, which is the primary government, but also its blended component unit, Public Properties Corporation. Although this component unit is legally separate, its operational or financial relationship with the County makes the County financially accountable.

Governmental funds. Governmental funds are used to report most of the County's basic services. The funds focus on the inflows and outflows of current resources and the balances of spendable resources available at the end of the fiscal year. Governmental fund statements provide a short-term view of Greenup County operations. Such information may be useful in evaluating a government's current financing requirements.

Greenup County utilizes eleven governmental funds along with two pass-thru accounts for retirement and payroll and the component unit of the Public Properties Corporation. There are five major Governmental funds and one business enterprise, which have separately presented information in the fund financial statements. The major funds are the General Fund, Road Fund, Landfill Fund, Revolving Loan Fund, Public Properties Corporation Fund and the Jail Canteen. The non-major funds of Jail, Local Government Economic Assistance, State, Federal, Public Defender, Local Government Economic Development, and E911 are presented in the aggregate in the governmental fund financial statements. The individual fund information is presented in combining statements.

Greenup County adopts an annual appropriated budget for all funds with the exception of Public Properties Corporation and the Jail Canteen. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

Proprietary funds.

Greenup County maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for the Jail Canteen.

Notes to the financial statements.

These notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Greenup County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Government-wide Financial analysis

In accordance with Governmental Accounting Standards Board (GASB) Statement Number 34, Greenup County is not required to restate prior periods for the purposes of providing comparative information. However, in future years, when prior year information is available, a comparative analysis of government-wide information will be presented.

As of June 30, 2004, Greenup County as a whole, had assets greater than its liabilities by \$9,989,371. The majority of Greenup County's net assets are invested in capital assets (streets, bridges, buildings, equipment, etc.). The assets are net of the outstanding principal of debt associated with the acquisition of these capital assets. Therefore, these assets are unavailable for general expenditures but must be used for the intended purposes. Unrestricted net assets of governmental activities are a deficit of \$553,132 at the end of the year. This deficit does not mean that the County has insufficient resources to pay bills for the next year. However, it does show that on a long-term basis, the County has commitments beyond which it has current resources to fund the obligations. The largest of these commitments, is the \$2,304,700, which was incurred in the ice storm cleanup. Federal Emergency Management Agency has committed to reimbursing \$1,436,034 of that total amount in the near future; however because Greenup County operates on a modified cash basis of accounting that figure is not indicated in these reports.

As of the end of the June 30, 2004 fiscal year, the combined ending fund balance of Greenup County's governmental funds was \$109,439. Approximately \$155,662 is reserved and therefore unavailable for other purposes. Greenup County has five major governmental funds including the blended component unit. These are:

1. General Fund
2. Road Fund
3. Landfill Fund
4. Revolving Loan Fund
5. Public Properties Corporation Fund

In addition there are seven non-major governmental funds:

1. Jail Fund
2. Local Government Economic Assistance Fund
3. State Grants Fund
4. Federal Grants Fund
5. Public Defender Fund
6. Local Government Economic Development Fund
7. E911 Fund

MAJOR FUNDS

1. The **General Fund** is the chief operating fund of Greenup County. At the end of the 2004 fiscal year, unreserved fund balance of the General Fund was (\$698,422), and total fund balance was (\$630,730). The single largest source of revenue into the General Fund was from Real Property tax revenues, which totaled \$847,998 or approximately 41% of total General Fund Revenues. The remaining portion of General Fund revenue is composed from various other taxes and service fees. The General fund transferred a payment of \$242,846 to the Public Properties Corporation Fund toward retiring a 1997 bond issue incurred to build the annex/jail; of which the Administrative Office of Courts reimbursed \$183,861 of those costs during 2004. Other 2004 expenditures included payment of \$1,193,071 toward the ice storm clean up.

Greenup County
Management's Discussion and Analysis
June 30, 2004
(Continued)

2. The **Road Fund** relates to county road and bridge construction and maintenance. At the end of the 2004 fiscal year, unreserved fund balance was (\$655,945). The single largest funding source during the 2004 fiscal year for the Road Fund came from Federal Emergency Management Agency in the amount of \$1,366,176 or 53% of total revenues. The Road Fund received \$779,753 (19%) from the State in the form of County Road and Municipal Road aid
3. Greenup County's **Landfill Fund** is run chiefly through permit fees (\$545,486) and utilized to maintain garbage haul roads. At June 30, 2004, the unreserved fund balance was \$58,863 while the total balance was \$121,496. Permit fees were 88% of Landfill Fund revenues. Landfill liabilities include a 2002 asphalt obligation of \$1,300,000, which the County incurred to blacktop 10 miles of roadway. During the 2004 fiscal year payments of \$117,003 (21%) were made toward retiring that principal. 14% of total expenditures were spent toward solid waste clean up, 28% to maintain garbage haul roads and 28% for salaries and fringe benefits.
4. The **Revolving Loan Fund** was established to assist local businesses, through loans to qualifying applicants and is intended to stimulate the local economy through successful private enterprise. The end of the fiscal year cash balance totaled \$292,986. As of June 30, 2004 Greenup County had three (3) existing loans: Riverport Authority, Ohio River Shippers, and R & D Associates. The total due on these loans at June 30, 2004 was \$141,226. All expenditures in the 2004 fiscal year were of the administrative nature.
5. The **Public Properties Corporation Fund** is a blended component of Greenup County Fiscal Court. It was established to incur long-term debt necessary to build the annex/jail facility. It is not included in the Greenup County Fiscal Court's budget. Public Properties has a total of 5 accounts. Checking account, First Mortgage refunding rev bonds, Refunding Issue 1997, General Fund and a Repurchase agreement. The First Mortgage Refunding Rev Bonds and Refunding Issue are simply pass-thru accounts whose revenues are direct payments made by Greenup Fiscal Court and whose expenditures are 100% bond obligations. The General Fund, Repurchase Agreement and checking account are funds, which can be used to meet Public Properties financial obligations. The unencumbered fund balance of those three accounts at June 30, 2004 totaled \$533,192. All expenditures in the 2004 fiscal year were to meet those obligations.

NON-MAJOR FUNDS

1. The **Jail Fund** had an unencumbered deficit of \$4,701 at June 30, 2004 with a cash balance of \$18,049. The General fund contributed \$436,000 to the operation of the Jail during 2004 fiscal year. The largest revenue (\$340,096 or 62%) was from the Kentucky State Treasurer for housing Control Intake and Class D prisoners. Payments by the prisoners for housing, medical and booking services totaled only \$53,560 or 10%. The remaining revenues were gleaned from State/Federal programs, Other Counties and telephone fees. The largest expenditures were employee's salaries and benefits (71.5%) and food (13%).
2. The **Local Government Economic Assistance fund** is funded by mineral taxes collected by The State. As of June 30, 2004 it had an unencumbered balance of \$4,237 and a cash balance of \$6,737. During the 2004 Fiscal year Greenup County was not considered Coal Impact or Coal Producing and received no revenue from the Kentucky State Treasurer. Expenditure categories are restricted by K. R. S and are as follows: 29% protection to person Persons and Property, 55% to transportation and 16% to social services.
3. The **State Grants Fund** is funded by the Kentucky State Treasurer for various community improvements. The largest of those revenues \$117,963 or 83% was received for Phase 7/8 of the Greenup County Water Project. Greenbo Trails and the Ambulance Board grants comprised \$23,640 or 16% of 2004 revenues. The largest expenditure of \$83,936 was toward the Phase 7/8 water project and the remaining 23% divided between Volunteer Fire Departments, Ambulance Board and Greenbo Trails Grants.
4. The **Federal Grants Fund** ended the 2004 fiscal year with an unencumbered balance of \$5,733. Revenue of \$4638 was received from the Kentucky State Treasurer to be utilized by The

Greenup County
Management's Discussion and Analysis
June 30, 2004
(Continued)

McConnell House Transportation Cabinet grant. No expenditures were made as of June 30, 2004.

5. The **Public Defender Fund** was established as a pass thru account whose purpose has been terminated due to a change in laws governing payments to public defenders. Consequently only interest revenues were received and no expenditures made during the 2004 fiscal year. The account was closed and the balance of \$2,168 was transferred to the General fund.
6. The **Local Government Economic Development Fund** had a balance of \$25,505 on June 30, 2004. Revenues of \$79,836 were received from various State Community Grants while \$66,777 was expended to the local establishments they were intended for, the largest being \$21,256 to local fire departments.
7. The **E911 Fund** had revenues of \$346,570 from telephone fees and an unreserved fund balance of \$319,049 at June 30, 2004. An obligation was undertaken in the amount of \$387,173 for the purpose of purchasing equipment. It was used as a draw down with direct payment of invoices being handled by KACO and therefore the revenue did not pass through Greenup Fiscal Court budget. Expenditures made to monthly principal and interest was reported, however. As of June 30, 2004 approximately \$144,650 had been drawn down with the remainder drawing interest and still available for future use. The largest expenditure during the 2004 fiscal year was on dispatching fees in the amount of \$141,743 (24% of total expenditures).

PROPRIETARY FUNDS OVERVIEW. Greenup County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Greenup County has only one (1) enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$27,195 as of June 30, 2004 comprised entirely of cash.

Total Budgetary Highlights

The County's original budget was amended during the fiscal year increasing the operating budget by \$3,173,427. Budget amendments were made in several areas due to an increase in borrowed money, Homeland Security, CERF and ADF grants, Transient Room tax, Emergency Road Aid, and Federal Emergency Management Agency funds. Expenditures were cut in many areas in anticipation of retiring outstanding debt.

Capital Assets

The County did not purchase or add any capital assets during the year ended June 30, 2004. Depreciation expense of \$619,401 was charged to the various functions. Additional information on capital assets can be found in Note 5 to the financial statements.

Debt

The County incurred additional debt during the year ended June 30, 2004 in the amount of \$2,691,873. This amount includes \$387,173 used to purchase E-911 equipment and \$2,304,700 in short-term debt incurred to pay for damages that occurred during a previous ice storm.

Requests for Information

The financial report is designed to provide a general overview of Greenup County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Greenup County Treasurer, 301 Main Street, Box 3, Greenup, KY 41144.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

GREENUP COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,938,626	\$ 27,195	\$ 1,965,821
Investments	475,781		475,781
Note Receivable	141,226		141,226
Total Current Assets	<u>2,555,633</u>	<u>27,195</u>	<u>2,582,828</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,507,575		1,507,575
Buildings	2,251,438		2,251,438
Other Equipment	58,473		58,473
Vehicles and Equipment	473,491		473,491
Infrastructure Assets - Net of Depreciation	8,527,130		8,527,130
Total Noncurrent Assets	<u>12,818,107</u>		<u>12,818,107</u>
Total Assets	<u>15,373,740</u>	<u>27,195</u>	<u>15,400,935</u>
LIABILITIES			
Current Liabilities:			
Revenue Bonds	175,000		175,000
Financing Obligations	152,683		152,683
Grant Anticipation Note	2,304,700		2,304,700
Payroll Revolving Account	268		268
Total Current Liabilities	<u>2,632,651</u>		<u>2,632,651</u>
Noncurrent Liabilities:			
Revenue Bonds	1,495,000		1,495,000
Financing Obligations	1,283,913		1,283,913
Total Noncurrent Liabilities	<u>2,778,913</u>		<u>2,778,913</u>
Total Liabilities	<u>5,411,564</u>		<u>5,411,564</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	10,039,194		10,039,194
Restricted For:			
Debt Service	476,114		476,114
Unrestricted	(553,132)	27,195	(525,937)
Total Net Assets	<u>\$ 9,962,176</u>	<u>\$ 27,195</u>	<u>\$ 9,989,371</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

GREENUP COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,724,775	\$ 602,774	\$ 467,166	\$ 87,000
Protection to Persons and Property	2,682,841	429,495	173,778	
General Health and Sanitation	401,121			
Social Services	2,700			
Recreation and Culture	27,143			
Roads	3,334,610	6,012	2,500,962	30,000
Airports	6,000			
Interest on Long-term and Short-term Debt	172,710			
Total Governmental Activities	8,351,900	1,038,281	3,141,906	117,000
Business-type Activities:				
Jail Canteen	130,331	124,552		
Total Business-type Activities	130,331	124,552		
Total Primary Government	\$ 8,482,231	\$ 1,162,833	\$ 3,141,906	\$ 117,000

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

In Lieu Tax Payments

Excess Fees

Intergovernmental

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (567,835)	\$	\$ (567,835)
(2,079,568)		(2,079,568)
(401,121)		(401,121)
(2,700)		(2,700)
(27,143)		(27,143)
(797,636)		(797,636)
(6,000)		(6,000)
(172,710)		(172,710)
(4,054,713)		(4,054,713)
	(5,779)	(5,779)
	(5,779)	(5,779)
(4,054,713)	(5,779)	(4,060,492)
847,998		847,998
88,168		88,168
157,382		157,382
752,692		752,692
321		321
101,493		101,493
33,774		33,774
27,649		27,649
91,459		91,459
2,100,936		2,100,936
(1,953,777)	(5,779)	(1,959,556)
11,915,953	32,974	11,948,927
\$ 9,962,176	\$ 27,195	\$ 9,989,371

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

GREENUP COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Landfill Fund	Revolving Loan Fund	Public Properties Corporation Fund
ASSETS					
Cash and Cash Equivalents	\$ 414,238	\$ 604,055	\$ 178,574	\$ 292,986	\$ 333
Investments					475,781
Interfund Receivable					57,078
Total Assets	<u>\$ 414,238</u>	<u>\$ 604,055</u>	<u>\$ 178,574</u>	<u>\$ 292,986</u>	<u>\$ 533,192</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Grant Anticipation Note	\$ 1,044,700	\$ 1,260,000	\$	\$	\$
Payroll Revolving Accounts	268				
Interfund Payable			57,078		
Total Liabilities	<u>1,044,968</u>	<u>1,260,000</u>	<u>57,078</u>		
FUND BALANCES					
Reserved for:					
Encumbrances	67,692		62,633		
Unreserved:					
General Fund	(698,422)				
Special Revenue Funds		(655,945)	58,863	292,986	
Debt Service Fund					533,192
Total Fund Balances	<u>(630,730)</u>	<u>(655,945)</u>	<u>121,496</u>	<u>292,986</u>	<u>533,192</u>
Total Liabilities and Fund Balances	<u>\$ 414,238</u>	<u>\$ 604,055</u>	<u>\$ 178,574</u>	<u>\$ 292,986</u>	<u>\$ 533,192</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Non- Major Governmental Funds	Total Governmental Funds
\$ 448,440	\$ 1,938,626
	475,781
	57,078
<u>\$ 448,440</u>	<u>\$ 2,471,485</u>

\$	\$ 2,304,700
	268
	57,078
<u></u>	<u>2,362,046</u>

25,337	155,662
	(698,422)
423,103	119,007
	533,192
<u>448,440</u>	<u>109,439</u>
<u>\$ 448,440</u>	<u>\$ 2,471,485</u>

**Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 109,439
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	21,244,133
Accumulated Depreciation	(8,426,026)
Other assets are not available to pay current expenditures and therefore are not reported in the funds.	
Note Receivable	141,226
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,436,596)
Revenue Bonds	(1,670,000)
Net Assets Of Governmental Activities	<u>\$ 9,962,176</u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road And Bridge Fund	Landfill Fund	Revolving Loan Fund
REVENUES				
Taxes	\$ 1,499,670	\$	\$	\$
In Lieu Tax Payments	321			
Excess Fees	101,493			
Licenses and Permits	53,407		545,486	
Intergovernmental	363,641	2,530,962	43,962	
Charges for Services		6,012		
Miscellaneous	40,690	564	26,087	51,670
Interest	5,496	7,720	1,957	119
Total Revenues	<u>2,064,718</u>	<u>2,545,258</u>	<u>617,492</u>	<u>51,789</u>
EXPENDITURES				
General Government	729,495			29,485
Protection to Persons and Property	1,276,354	202		
General Health and Sanitation	101,994		210,191	
Social Services				
Recreation and Culture	11,638			
Roads		2,608,198	158,105	
Airports				
Road Facilities				
Debt Service		36,231	151,121	
Capital Projects				
Administration	383,135	243,319	45,795	
Total Expenditures	<u>2,502,616</u>	<u>2,887,950</u>	<u>565,212</u>	<u>29,485</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(437,898)</u>	<u>(342,692)</u>	<u>52,280</u>	<u>22,304</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	395,168	42,628		33,000
Transfers To Other Funds	(754,474)	(360,000)		(33,000)
Total Other Financing Sources (Uses)	<u>(359,306)</u>	<u>(317,372)</u>		
Net Change in Fund Balances	(797,204)	(660,064)	52,280	22,304
Fund Balances - Beginning (Restated)	166,474	4,119	69,216	270,682
Fund Balances - Ending	<u>\$ (630,730)</u>	<u>\$ (655,945)</u>	<u>\$ 121,496</u>	<u>\$ 292,986</u>

The accompanying notes are an integral part of the financial statements.

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Public Properties Corporation Fund	Non- Major Governmental Funds	Total Governmental Funds
\$	\$ 346,570	\$ 1,846,240
		321
		101,493
		598,893
	715,221	3,653,786
	66,025	72,037
	92	119,103
8,274	4,083	27,649
8,274	1,131,991	6,419,522
	500	759,480
	1,374,372	2,650,928
	88,936	401,121
	2,700	2,700
	15,505	27,143
	18,258	2,784,561
	6,000	6,000
258,422	21,179	466,953
74	255,533	927,856
258,496	1,782,983	8,026,742
(250,222)	(650,992)	(1,607,220)
	387,173	387,173
242,846	436,000	1,149,642
	(2,168)	(1,149,642)
242,846	821,005	387,173
(7,376)	170,013	(1,220,047)
540,568	278,427	1,329,486
\$ 533,192	\$ 448,440	\$ 109,439

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

GREENUP COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$ (1,220,047)
--	----------------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense	(619,401)
----------------------	-----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds. These transactions, however, have no effect on net assets.

Financing Obligation	(387,173)
----------------------	-----------

Note receivable principal received	(21,399)
------------------------------------	----------

Lease and bond principal payments are expensed in the Governmental Funds as a use of current financial resources.

Financing obligations	129,243
-----------------------	---------

Bond payments	165,000
---------------	---------

Change in Net Assets of Governmental Activities	<u><u>\$ (1,953,777)</u></u>
---	------------------------------

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

GREENUP COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 27,195
Total Current Assets	<u>27,195</u>
Net Assets	
Unrestricted	27,195
Total Net Assets	<u><u>\$ 27,195</u></u>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

GREENUP COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Enterprise Fund
	<hr/>
	Jail Canteen Fund
	<hr/>
Operating Revenues	
Canteen Receipts	\$ 124,552
Total Operating Revenues	<hr/> 124,552 <hr/>
Operating Expenses	
Cost of Sales	122,033
Educational and Recreational	869
Total Operating Expenses	<hr/> 122,902 <hr/>
Operating Income	<hr/> 1,650 <hr/>
Nonoperating Expenses	
Inmate Refunds	<hr/> (7,429)
Total Nonoperating Expenses	<hr/> (7,429) <hr/>
Change In Net Assets	(5,779)
Total Net Assets - Beginning	32,974
Total Net Assets - Ending	<hr/> \$ 27,195 <hr/>

The accompanying notes are an integral part of the financial statements.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

GREENUP COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Receipts From Customers	\$ 124,552
Cost of Sales	(122,033)
Educational and Recreational	(869)
Net Cash Provided By Operating Activities	<u>1,650</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	<u>(7,429)</u>
Net Cash Used By Noncapital Financing Activities	<u>(7,429)</u>
Net Decrease in Cash and Cash Equivalents	(5,779)
Cash and Cash Equivalents - July 1, 2003	<u>32,974</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 27,195</u></u>
Reconciliation of Operating Income to Net Cash Used by Operating Activities	
Operating Income	<u>\$ 1,650</u>
Net Cash Used By Operating Activities	<u><u>\$ 1,650</u></u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	44
NOTE 2.	DEPOSITS.....	50
NOTE 3.	RECEIVABLES.....	50
NOTE 4.	INTERFUND RECEIVABLE AND PAYABLE	50
NOTE 5.	CAPITAL ASSETS	51
NOTE 6.	SHORT-TERM DEBT - GRANT ANTICIPATION NOTE	52
NOTE 7.	LONG-TERM DEBT.....	52
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM.....	54
NOTE 9.	INSURANCE	54
NOTE 10.	CHANGES IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENTS.....	55
NOTE 11.	ESTIMATED INFRASTRUCTURE HISTORICAL COST	55

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets are included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Greenup County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Greenup County, Kentucky Public Properties Corporation

The Greenup County, Kentucky Public Properties Corporation (the Corporation) is a legally separate entity established to provide long-term debt service for the fiscal court. The Corporation's governing body consists entirely of fiscal court members. Therefore management must include the Corporation as a component unit, and the Corporation's financial activity has been blended with that of the fiscal court.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Greenup County Elected Officials Not Part Of Greenup County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Greenup County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Greenup County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Landfill Fund - This fund is run chiefly through landfill permit fees and used to maintain garbage haul roads. The landfill is privately owned and operated and the fees are paid by the landfill itself.

Revolving Loan Fund - This fund was established to assist local businesses through loans to qualifying applicants and is intended to stimulate the local economy through successful private enterprise.

Greenup County, Kentucky Public Properties Corporation - This is a blended component unit of the Greenup County Fiscal Court. It was established to incur long-term debt necessary to build the annex/jail facility.

The primary government also has the following non-major funds: Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Public Defender Fund, Local Government Economic Development Fund, and Emergency 911 Fund.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Special Revenue Funds:

The Road Fund, Landfill Fund, Revolving Loan Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Local Government Economic Development Fund, and Emergency 911 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

The Greenup County, Kentucky Public Properties Corporation is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale on April 30 following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements and in the Statement of fund net assets - proprietary funds. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	10-60
Buildings and Building Improvements	\$ 50,000	10-75
Machinery and Equipment	\$ 10,000	3-25
Vehicles	\$ 10,000	3-25
Infrastructure	\$ 20,000	10-50

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Greenup County, Kentucky Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

J. Jointly Governed Organizations

A jointly governed organization is an entity that results from a multigovernmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating governments. The jointly governed organization can act independently of each of the participating governments. The following meet the criteria note above and are reported as jointly governed organizations: Northeast Kentucky Regional Industrial Park Authority, Boyd/Greenup Riverport Authority, and the Ashland Regional Airport.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, the depository institution did not have a written agreement with the county securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2004.

	<u>Bank Balance</u>
FDIC Insured	\$ 200,000
Undercollateralized and uninsured	<u>484,109</u>
Total	<u><u>\$ 684,109</u></u>

Note 3. Receivables

- A. The County's Revolving Loan Fund loaned \$235,000 to R&D Associates, Inc. on June 8, 1998. Terms of the agreement stipulate 30 quarterly payments in the amount of \$7,481 commencing October 10, 1998. Interest is at the rate of 5% per annum. As of June 30, 2004, the principal balance due was \$120,272.
- B. The County's Revolving Loan Fund loaned \$40,000 to Ohio River Shippers on September 18, 2000. Terms of the agreement stipulate 60 monthly payments in the amount of \$755 commencing October 1, 2000. Interest is at the rate of 5% per annum. As of June 30, 2004, the principal balance due was \$10,954.
- C. The County's Revolving Loan Fund loaned \$10,000 to the Riverport Authority on November 13, 2001. There were no terms established for repayment and no interest rate was specified. As of June 30, 2004, the principal balance due was \$10,000.

Note 4. Interfund Receivable and Payable

The Greenup County Public Properties Corporation paid \$125,000 on June 12, 2001, to purchase property on behalf of the fiscal court. The \$125,000 is to be repaid from the Landfill Fund receipts. The Landfill Fund made a \$50,000 payment in November 2002. As of June 30, 2004, the balance was \$57,078.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,507,575	\$	\$	\$ 1,507,575
Total Capital Assets Not Being Depreciated	1,507,575			1,507,575
Capital Assets, Being Depreciated:				
Buildings	3,327,113			3,327,113
Other Equipment	91,400			91,400
Vehicles and Equipment	1,499,045			1,499,045
Infrastructure	14,819,000			14,819,000
Total Capital Assets Being Depreciated	19,736,558			19,736,558
Less Accumulated Depreciation For:				
Buildings	(1,036,181)	(39,494)		(1,075,675)
Other Equipment	(21,951)	(10,976)		(32,927)
Vehicles and Equipment	(939,383)	(86,171)		(1,025,554)
Infrastructure	(5,809,110)	(482,760)		(6,291,870)
Total Accumulated Depreciation	(7,806,625)	(619,401)		(8,426,026)
Total Capital Assets, Being Depreciated, Net	11,929,933	(619,401)		11,310,532
Governmental Activities Capital Assets, Net	\$ 13,437,508	\$ (619,401)	\$ 0	\$ 12,818,107

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 37,439
Protection to Persons and Property	31,913
Roads, Including Depreciation of General Infrastructure Assets	<u>550,049</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 619,401</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 6. Short-term Debt - Grant Anticipation Note

In July 2003, Greenup County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program (KARP) by issuing a note in the amount of \$2,304,700, with the principal being due in January 2004. The County used the funds to pay for the ice storm cleanup and to repair and replace various roads and bridges within the county. On February 10, 2004, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$2,304,700 in order to pay the KARP note in full. The agreement requires twelve monthly interest payments at 2.245 percent. One principal payment of \$2,304,700 is due on February 20, 2005. Proceeds of \$1,044,700 went into the General Fund and \$1,260,000 went into the Road Fund.

Note 7. Long-term Debt

A. First Mortgage Refunding Revenue Bonds, Series 1997

On September 1, 1997, the Greenup County Public Properties Corporation issued \$2,745,000 of First Mortgage Refunding Revenue Bonds, Series 1997 for the purpose of defeasing the 1990 Series Bond Issue. The 1990 bonds were originally issued to finance the construction of the Greenup County Courthouse Annex and Detention Center Project. The Refunding Bonds dated September 1, 1997, require two semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. Principal payments are due on March 1 of each year commencing March 1, 1998. The bonds will mature March 1, 2012. As of June 30, 2004, the principal balance remaining was \$1,670,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 175,000	\$ 85,420
2006	180,000	76,845
2007	190,000	67,935
2008	200,000	58,435
2009	215,000	48,235
2010-2012	710,000	75,488
Totals	<u>\$ 1,670,000</u>	<u>\$ 412,358</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Long-term Debt (Continued)

B. Road Paving

On May 10, 2002, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$1,300,000 for road paving. The agreement requires variable monthly payments for 120 months to be paid in full May 20, 2012. As of June 30, 2004, the principal balance was \$1,062,815. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 119,672	\$ 32,769
2006	123,620	28,822
2007	127,698	24,743
2008	131,911	20,531
2009	136,262	16,179
2010-2012	423,652	20,969
Totals	<u>\$ 1,062,815</u>	<u>\$ 144,013</u>

C. E-911 Equipment

On December 23, 2003, the Greenup County Fiscal Court entered into an agreement with the Kentucky Association of Counties to borrow \$387,173 for E-911 equipment. The agreement requires 120 monthly payments at an interest rate of 3.48 percent to be paid in full January 20, 2014. As of June 30, 2004, the principal balance was \$373,781. Payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2005	\$ 33,011	\$ 15,315
2006	34,277	13,952
2007	35,591	12,510
2008	36,955	11,030
2009	38,371	9,442
2010-2014	195,576	21,721
Totals	<u>\$ 373,781</u>	<u>\$ 83,970</u>

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Long-term Debt (Continued)

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Revenue Bonds	\$ 1,835,000	\$	\$ 165,000	\$ 1,670,000	\$ 175,000
Financing Obligations	<u>1,178,666</u>	<u>387,173</u>	<u>129,243</u>	<u>1,436,596</u>	<u>152,683</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 3,013,666</u>	<u>\$ 387,173</u>	<u>\$ 294,243</u>	<u>\$ 3,106,596</u>	<u>\$ 327,683</u>

Note 8. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 9. Insurance

For the fiscal year ended June 30, 2004, Greenup County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

GREENUP COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 10. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental activities is a net increase of \$10,585,050 due to capital assets and long-term debt previously not reported. The fund balances of the Revolving Loan Fund and E911 Fund have been restated by \$220 and \$60, respectively, for prior year voided checks. The fund balance of the Public Properties Corporation Fund has also been restated by \$1,697 for a miscalculation in the prior year.

Note 11. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,350,000	\$ 1,370,000	\$ 1,499,670	\$ 129,670
In Lieu Tax Payments			321	321
Excess Fees	67,200	67,200	101,493	34,293
Licenses and Permits	60,000	60,000	53,407	(6,593)
Intergovernmental Revenue	316,170	421,963	363,641	(58,322)
Miscellaneous	54,840	54,840	40,690	(14,150)
Interest	11,000	11,000	5,496	(5,504)
Total Revenues	<u>1,859,210</u>	<u>1,985,003</u>	<u>2,064,718</u>	<u>79,715</u>
EXPENDITURES				
General Government	787,300	816,713	729,495	87,218
Protection to Persons and Property	41,850	1,337,464	1,276,354	61,110
General Health and Sanitation	98,000	103,990	101,994	1,996
Recreation and Culture		20,000	11,638	8,362
Debt Service	242,846	1,302,703	1,044,700	258,003
Administration	444,214	553,462	383,135	170,327
Total Expenditures	<u>1,614,210</u>	<u>4,134,332</u>	<u>3,547,316</u>	<u>587,016</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>245,000</u>	<u>(2,149,329)</u>	<u>(1,482,598)</u>	<u>666,731</u>
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		1,044,700	1,044,700	
KARP Proceeds		529,929	1,044,700	514,771
Transfers From Other Funds	230,000	230,000	395,168	165,168
Transfers To Other Funds	(500,000)	(500,000)	(754,474)	(254,474)
Total Other Financing Sources (Uses)	<u>(270,000)</u>	<u>1,304,629</u>	<u>1,730,094</u>	<u>425,465</u>
Net Changes in Fund Balance	(25,000)	(844,700)	247,496	1,092,196
Fund Balance - Beginning	<u>25,000</u>	<u>166,400</u>	<u>166,474</u>	<u>74</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (678,300)</u>	<u>\$ 413,970</u>	<u>\$ 1,092,270</u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and
Changes in Fund Balance**

Fund Balance - Ending	\$ 413,970
Short-term debt financing not included in Statement of Revenues, Expenditures and Changes in Fund Balance:	
Proceeds from short-term debt financing	<u>(1,044,700)</u>
Fund Balance - Ending	<u><u>\$ (630,730)</u></u>

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 3,128,955	\$ 3,651,555	\$ 2,530,962	\$ (1,120,593)
Charges for Services			6,012	6,012
Miscellaneous	1,000	1,000	564	(436)
Interest	5,000	5,000	7,720	2,720
Total Revenues	3,134,955	3,657,555	2,545,258	(1,112,297)
EXPENDITURES				
Protection to Persons and Property		202	202	
Roads	2,798,000	2,705,254	2,608,198	97,056
Debt Service		1,774,771	1,296,231	478,540
Administration	267,955	344,799	243,319	101,480
Total Expenditures	3,065,955	4,825,026	4,147,950	677,076
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	69,000	(1,167,471)	(1,602,692)	(435,221)
OTHER FINANCING SOURCES (USES)				
Financing Obligation Proceeds		1,260,000	1,260,000	
KARP Proceeds		1,774,771	1,260,000	(514,771)
Transfers From Other Funds			42,628	42,628
Transfers To Other Funds	(169,000)	(169,000)	(360,000)	(191,000)
Total Other Financing Sources (Uses)	(169,000)	2,865,771	2,202,628	(663,143)
Net Changes in Fund Balance	(100,000)	1,698,300	599,936	(1,098,364)
Fund Balance - Beginning	100,000	100,000	4,119	(95,881)
Fund Balance - Ending	\$ 0	\$ 1,798,300	\$ 604,055	\$ (1,194,245)

**Reconciliation of the Budgetary Comparison Schedule to
Statement of Revenues, Expenditures, and
Changes in Fund Balance**

Fund Balance - Ending	\$ 604,055
Short-term debt financing not included in Statement of Revenues, Expenditures and Changes in Fund Balance:	
Proceeds from short-term debt financing	(1,260,000)
Fund Balance - Ending	\$ (655,945)

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	LANDFILL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits	\$ 500,000	\$ 500,000	\$ 545,486	\$ 45,486
Intergovernmental Revenue			43,962	43,962
Miscellaneous		26,000	26,087	87
Interest	6,000	6,000	1,957	(4,043)
Total Revenues	506,000	532,000	617,492	85,492
EXPENDITURES				
General Health and Sanitation	143,200	219,000	210,191	8,809
Roads	249,000	202,069	158,105	43,964
Debt Service	151,121	151,122	151,121	1
Administration	51,679	48,809	45,795	3,014
Total Expenditures	595,000	621,000	565,212	55,788
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(89,000)	(89,000)	52,280	141,280
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds	(61,000)	(61,000)		61,000
Total Other Financing Sources (Uses)	(61,000)	(61,000)		61,000
Net Changes in Fund Balances	(150,000)	(150,000)	52,280	202,280
Fund Balances - Beginning	150,000	150,000	69,216	(80,784)
Fund Balances - Ending	\$ 0	\$ 0	\$ 121,496	\$ 121,496

GREENUP COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	REVOLVING LOAN FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 500	\$ 500	\$	\$ (500)
Miscellaneous	77,000	77,000	51,670	(25,330)
Interest	7,000	7,000	119	(6,881)
Total Revenues	84,500	84,500	51,789	(32,711)
EXPENDITURES				
General Government	90,000	90,000	29,485	60,515
Administration	244,500	104,500		104,500
Total Expenditures	334,500	194,500	29,485	165,015
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(250,000)	(110,000)	22,304	132,304
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds			33,000	33,000
Transfers To Other Funds			(33,000)	(33,000)
Total Other Financing Sources (Uses)				
Net Changes in Fund Balances	(250,000)	(110,000)	22,304	132,304
Fund Balances - Beginning	250,000	250,000	270,682	20,682
Fund Balances - Ending	\$ 0	\$ 140,000	\$ 292,986	\$ 152,986

GREENUP COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Greenup County, Kentucky Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

THIS PAGE LEFT BLANK INTENTIONALLY

**GREENUP COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

GREENUP COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Jail Fund	LGEA Fund	State Grants Fund	Federal Grants Fund	Public Defender Fund
ASSETS					
Cash and Cash Equivalents	\$ 18,049	\$ 6,737	\$ 73,368	\$ 5,733	\$
Total Assets	<u>\$ 18,049</u>	<u>\$ 6,737</u>	<u>\$ 73,368</u>	<u>\$ 5,733</u>	<u>\$ 0</u>
FUND BALANCES					
Reserved for:					
Encumbrances	\$ 22,750	\$ 2,500	\$ 87		
Unreserved:					
Special Revenue Funds	(4,701)	4,237	73,281	5,733	
Total Fund Balances	<u>\$ 18,049</u>	<u>\$ 6,737</u>	<u>\$ 73,368</u>	<u>\$ 5,733</u>	<u>\$ 0</u>

GREENUP COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2004
(Continued)

LGED Fund	E911 Fund	Total Non-Major Governmental Funds
\$ 25,505	\$ 319,048	\$ 448,440
\$ 25,505	\$ 319,048	\$ 448,440
		\$ 25,337
25,505	319,048	423,103
\$ 25,505	\$ 319,048	\$ 448,440

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Jail Fund	LGEA Fund	State Grants Fund	Federal Grants Fund
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental	489,481		141,602	4,638
Charges for Services	66,025			
Miscellaneous	92			
Interest	282	89	350	16
Total Revenues	<u>555,880</u>	<u>89</u>	<u>141,952</u>	<u>4,654</u>
EXPENDITURES				
General Government				
Protection to Persons and Property	800,778	3,169	24,716	
General Health and Sanitation			83,936	
Social Services		1,700		
Recreation and Culture			764	
Roads				
Airports		6,000		
Debt Service				
Administration	215,947		1	
Total Expenditures	<u>1,016,725</u>	<u>10,869</u>	<u>109,417</u>	
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(460,845)</u>	<u>(10,780)</u>	<u>32,535</u>	<u>4,654</u>
Other Financing Sources (Uses)				
Financing Obligation Proceeds				
Transfers From Other Funds	436,000			
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>436,000</u>			
Net Change in Fund Balances	(24,845)	(10,780)	32,535	4,654
Fund Balances - Beginning (restated)	42,894	17,517	40,833	1,079
Fund Balances - Ending	<u>\$ 18,049</u>	<u>\$ 6,737</u>	<u>\$ 73,368</u>	<u>\$ 5,733</u>

GREENUP COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004
(Continued)

Public Defender Fund	LGED Fund	E911 Fund	Total Non-Major Governmental Funds
\$	\$	\$ 346,570	\$ 346,570
	79,500		715,221
			66,025
			92
18	336	2,992	4,083
18	79,836	349,562	1,131,991
	500		500
375	27,278	518,056	1,374,372
	5,000		88,936
	1,000		2,700
	14,741		15,505
	18,258		18,258
			6,000
		21,179	21,179
		39,585	255,533
375	66,777	578,820	1,782,983
(357)	13,059	(229,258)	(650,992)
		387,173	387,173
			436,000
(2,168)			(2,168)
(2,168)		387,173	821,005
(2,525)	13,059	157,915	170,013
2,525	12,446	161,133	278,427
\$ 0	\$ 25,505	\$ 319,048	\$ 448,440

THIS PAGE LEFT BLANK INTENTIONALLY

GREENUP COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2004

**GREENUP COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. One instance of noncompliance material to the financial statements of Greenup County was disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Greenup County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Greenup County reported in Part C of this schedule.
7. The program tested as a major program was: Disaster and Emergency Assistance Grants, CFDA #97.036.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. No determination was made as to whether Greenup County was a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

Reference Number 2004-1

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On June 30, 2004, \$484,109 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Robert Carpenter's Response: This has been taken care of for 2005. We thought this was okay during 2004, based on what the bank told us. We had signed copies of all documentation.

GREENUP COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

REPORTABLE CONDITIONS

None.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

None.

GREENUP COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

GREENUP COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2004

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of Homeland Security</u>		
Passed-Through State Department		
of Military Affairs:		
Public		
Assistance Grants-		
February 2003 Severe Weather		
(CFDA #97.036)	FEMA-1454-DR-KY	\$ 1,696,237
May 2003 Severe Weather		
(CFDA #97.036)	FEMA-1471-DR-KY	<u>158,562</u>
Total Cash Expenditures of Federal Awards		<u>\$ 1,854,799</u>

GREENUP COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2004

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Greenup County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Greenup County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated February 2, 2005. Greenup County Kentucky prepares its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Greenup County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Greenup County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs.

- Reference Number 2004-1: The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 2, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Robert W. Carpenter, Greenup County Judge/Executive
Members of the Greenup County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Greenup County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Greenup County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Greenup County's management. Our responsibility is to express an opinion on Greenup County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Greenup County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Greenup County's compliance with those requirements.

In our opinion, Greenup County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Greenup County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Greenup County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
February 2, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

GREENUP COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

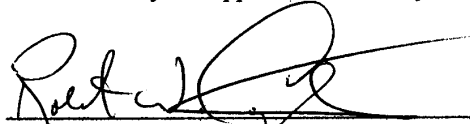
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

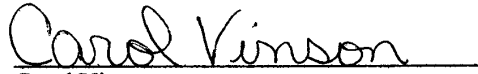
GREENUP COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Greenup County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

A handwritten signature in black ink, appearing to read "Robert W. Carpenter", written over a horizontal line.

Robert W. Carpenter
Greenup County Judge/Executive

A handwritten signature in black ink, appearing to read "Carol Vinson", written over a horizontal line.

Carol Vinson
Greenup County Treasurer

